



Memorandum

California Public Employees' Retirement System

Date: December 5, 2005

From: Dennis A. Johnson
Senior Portfolio Manager-Corporate Governance

Subject: December 5, 2005 Conference Call with Siemens – Sudan Activities

Investor Attendees:

Dennis Johnson – Senior Portfolio Manager, CalPERS
Julie Gresham – Assistant Comptroller, New York State
Comptroller's Office
Meredith Miller – Assistant Treasurer of Policy, Connecticut
Treasurer's Office
Lee Gresham – Vermont State Treasurer's Office
Phillip Larrieu – Associate Investment Officer, Corporate
Governance, CalSTRS

Siemens Attendees:

Heinz-Joachim Neuburger, Chief Financial Officer
Marcus Desimoni – Treasurer
Christine Schmoe – Investor Relations Manager

A conference call was held today between Heinz-Joachim Neuburger, Chief Financial Officer for Siemens and representatives of five public funds. Public funds represented on the call included CalPERS, New York State Comptroller's Office, State Treasurer of Vermont, State of Illinois, and Connecticut Treasurer's Office.

Siemens' Business in Sudan

Mr. Neuburger stated that Siemens' business in Sudan is insignificant relative to the entire business portfolio. Annual sales from Sudan are approximately 28 million euros compared with 75 billion euros in annual revenues for the total company. Siemens' business is conducted from a representative office in Khartoum. There are three permanent full time employees that manage the Sudan representative office. This group of individuals has been with the company since 2003. When necessary, management will hire temporary workers. The maximum number of workers Siemens has utilized for project employment is approximately 40. Siemens has control systems in place to insure employee safety and manage the potential risk of employees engaging in inhumane activities. These controls include background checks and having close contact with employees on a weekly basis.

Siemens has two lines of business in Sudan. They are the telecommunications equipment and medical technology businesses. The medical technology business includes the sale of products such as ultrasound devices. Medical equipment is sold to hospital and health organizations in Sudan. Mr. Neuburger indicated that Siemens will provide a client list in order to see who they are directly doing business with in this business segment. Given the fragile nature of the Sudan economy, it is possible that these clients will include municipal/government related facilities.

The telecommunications equipment business involves the sale of product to Vodafone and Sudan Telecom. Sudan Telecom is a government controlled entity. As with the medical technology business, Mr. Neuburger has offered to make a client list available to show who Siemens is directly doing business with in this business segment.

Siemens has limited capital invested in Sudan given that it operates out of a representative office with three permanent employees. Approximately \$130,000 in business taxes are paid annually to the Sudan government.

Humanitarian Efforts

Mr. Neuburger indicated that during his thirty years with Siemens, he has worked in Sudan. The experience of living and working in Sudan allows him to be highly sensitive to employees and their families in Sudan. In his opinion, being active in Sudan may have a positive impact on conditions there. Leaving Sudan may cause more damage to the country, Siemens employees and their families.

Siemens has a global corporate policy of not getting politically involved in countries where they conduct business. Therefore, Siemens does not have a Sudan specific policy. It was suggested that they are engaged in "back-channel" discussions with various parties trying to positively effect change in Sudan. It was also suggested that the former Soviet Union and China are not being supportive of efforts to solve the problems in Sudan.

Financial Disclosure

Mr. Neuburger started his closing remarks by stating that Siemens is cooperating with a Securities & Exchange Commission inquiry about its business in Sudan and other countries. He stated that Siemens is cooperating fully, but that the level of business activity with each of these inquiries is below the materiality threshold required for public disclosure. Nonetheless, Siemens is cooperating fully and providing disclosure on the subject. The Siemens 20F (equivalent of 10K and Annual Report, required of non-US companies with stocks trading in the United States) will contain information related to the SEC inquiry, and Siemens' business activities in Sudan and other countries that are part of the inquiry. The 20F should be available within the week.